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BERMUDA

Working paper prepared by the Secretariat

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BERMUDA 1/

I. GENERAL

1. Bermuda is located in the western part of the Atlantic Ocean about 917 kilometres east of Cape Hatteras on the North Carolina coast of the United States of America.

2. The Territory has a total area of 53.35 square kilometres and consists of 150 islands and islets. The largest island is about 22.5 kilometres long and 3.2 kilometres wide. It covers an area of about 3,650 hectares. About one tenth of the total land area is currently leased to the United States Government for military purposes.

3. The latest available figures on the population of Bermuda, published in 1992, showed that Bermuda's civilian, non-institutional population was 58,460, including 15,823 born outside of Bermuda. Persons of African descent accounted for 58 per cent of the population (35,630), while persons of European and other descent accounted for 42 per cent (22,830). 2/

II. CONSTITUTIONAL AND POLITICAL DEVELOPMENTS

A. General

4. Basic background information under this section is contained in the previous working paper on Bermuda prepared by the Secretariat in 1994 (A/AC.109/1189, paras. 5-7).

5. With regard to new developments in the period under review, in his Speech from the Throne on 4 November 1994, the Governor of Bermuda outlined the Government's plans for the second parliamentary session and pledged to introduce further measures in line with the implementation of the 1993 Blueprint for the Future, which detailed the basic plan of the Government for the five-year duration of the current Parliament. 3/ The Governor announced that, as a consequence of the rise in criminal acts and their negative impact on Bermuda, several initiatives would be taken to deal with crimes associated with drugs, violence in the home and crimes against tourists. The Government also recognized that the question of race was a very sensitive issue in Bermuda and that the Ministry of Human Affairs and Information continued to be dedicated to achieving a more significant degree of racial equality and harmony. Legislation would also be laid before the Parliament to create a Commission for Unity and Racial Equality to promote the same objectives towards the elimination of all forms of institutional racism.

6. In his speech, the Governor took note of other serious challenges facing the Government, including the question of independence. The Government announced that the facts surrounding the advantages and disadvantages of independence would be set out in a Green Paper, which should serve as the basis for an intensive public education programme to allow the Bermudians to make an informed decision on this vital issue by way of a referendum.

7. The transfer of properties currently held by the United States Government (bases and adjoining facilities) would be dealt with in an orderly fashion to ensure a smooth transition, particularly with regard to the airport facilities operated by the United States Navy. The Governor said that a new air operations team would be established to manage all matters relating to the Bermuda International Airport, including air traffic control, meteorology, security, and so forth, and thus to create new employment opportunities for Bermudians.

8. Among other areas covered by new bills to be introduced in Parliament in 1995 in support of the government programme, the Governor mentioned health and community care, immigration and employment. The recession work programme would be continued and broadened in the construction and hotel industries. The Government also intended to provide additional incentives to the international business sector to improve earnings from this vital component of the economy of Bermuda.

B. Political parties and elections

9. There have been no new developments in Bermuda in this area since the issuance of the previous working paper prepared by the Secretariat on the Territory (see A/AC.109/1189, paras. 8 and 9).

III. ACTIVITIES RELATED TO THE WITHDRAWAL OF MILITARY BASES

10. In August 1994, a committee was set up to advise the Government on utilization of lands vacated following the withdrawal of military bases. 4/ The mandate of the committee was to help to identify and evaluate opportunities not only for the United States Naval Air Station, due to close in September 1995, but also for the United States Naval Annex in Southampton, the former Canadian base closed in 1993 at Daniel's Head, and the United Kingdom base, the HMS Malabar, also due to close in 1995. The committee was requested to develop a method and a master plan for the development of those areas with emphasis on social, economic and other strategic implications. The Government stated that while the withdrawal of United States military operations from Bermuda would clearly have an adverse effect on exports and public sector revenue, the impact on income and employment would be offset by jobs created through the operation of the airfield and maintenance services scheduled to be taken over by a Bermudian entity.

11. During negotiations which took place in December 1994 5/ between the Government of Bermuda and representatives of the United States on the future of base lands evacuated by the United States Navy, the Government called for a major environmental clean-up of the land and rejected the claim by the United States negotiators that the value of the assets at the United States Naval Air Station and the United States Naval Annex amounted to a total of B$ 140 million. 6/ Further, the Government added that "there is no basis in existing treaties or law for the Government of the United States' claim that they are entitled to be compensated for the value of fixed assets, such as buildings, which have been constructed on the bases during U.S. tenancy". The territorial Government disputed the United States Navy's position that the

clean-up of the base should eliminate only those "known imminent and substantial damages to human health and safety". On the question of land, the United States representative, in the discussion with the Government, claimed that the 99-year, rent-free lease signed in 1941 with the Government of the United Kingdom of Great Britain and Northern Ireland should continue, with the amount of land it covers sharply reduced to keep only the National Aeronautics and Space Administration (NASA) site at Cooper's Island. 7/ The Government of Bermuda wants all the land returned in exchange for a new lease to accommodate the requirements of NASA.

IV. ECONOMIC CONDITIONS

A. General

12. An overview of general economic conditions in the Territory is contained in the 1994 working paper on Bermuda prepared by the Secretariat (see A/AC.109/1189, paras. 36-40).

13. In his speech of 4 November 1994, the Governor stated that although the worst effects of the recession were over, the Government would maintain its commitments to assist and help those Bermudians who required support and to create more jobs, especially in the construction industry. He indicated that the Government's policy of open tendering on construction, building maintenance and painting contracts had created important savings to the Government and should therefore be continued and expanded. The Governor also added that a review of the Small Business Development Corporation Act and its policies would be undertaken to strengthen support for small businesses. The Government would continue to give high priority to improving the standard of living for all Bermudians while at the same time remaining dedicated to the policy of a balanced current account budget.

14. The annual rate of inflation was 2.5 per cent during a one-year period ending in November 1994, compared with 2.1 per cent during the same period of the previous year. The per capita income of Bermuda was reported to be B$ 27,790. 8/

B. Public finance

15. According to the Minister of Finance, the budget presented on 15 February 1995 9/ would raise an amount of B$ 35 million in supplementary revenues. Total revenue for the financial year 1995/96 is anticipated to be B$ 426.1 million, an increase of 9.2 per cent over 1994/95 figures. Current account expenditure will amount to B$ 390.4 million, an increase of 6.8 per cent over the previous period. The Government will borrow B$ 75 million for capital projects in 1995 in addition to the B$ 75 million borrowed in 1994/95.

16. Parliamentary salaries will be increased by 27.9 per cent over two years with a 13.6 per cent rise in 1995 and the balance paid with effect from 1 April 1996. The airport departure tax will be raised from B$ 15 to B$ 20. The employment tax and hospital levy will be combined into one payroll tax. The

total payment by employers will be 11.5 per cent of the salary, of which a maximum of 4 per cent can be withheld from the employee. Registered members of professions will be charged an annual licence fee ranging from B$ 50 to B$ 2,500 a year. The tax on cigarettes will be raised by 20 cents per packet. Hotels will be required to pay a tax based on the cost of all goods and services instead of the current flat room rate. Annual licences for banks will also be raised.

C. International business

17. According to the latest comprehensive report released in December 1994 by the Ministry of Finance, an update on a 1992 Bermudian economy report, Bermuda's international companies contributed a total of B$ 577.7 million to the Territory's economy in 1993, an increase of 11.5 per cent over the B$ 518 million generated in 1992. The report covered the economic impact of international companies on Bermuda for the year 1993 and demonstrated the growing impact of international business as compared with tourism. 10/

18. According to the report, in 1992 and 1993, Bermudian export earnings from international companies exceeded the revenue obtained from international tourism which, nevertheless, remained the predominant source of employment in the Territory. It was also stated that of the 7,578 companies registered in 1993, an increase of 4.2 per cent over 1992, only 242 had a physical presence in Bermuda. In the past 10 years, the number of international companies registered in Bermuda has grown by 28.2 per cent. The largest number of companies registered during that period dealt with mutual funds, shipping and investment holdings.

19. The report indicated that a total of B$ 143 million was paid in salaries by international companies. The sum of B$ 32.5 million was paid in taxes, fees, duties, licences and levies to the public sector; B$ 135.7 million was spent in professional fees and bank fees; and about B$ 77 million was paid out to other Bermuda companies. In addition, 1,313 Bermudian employees worked for international companies.

20. The Registrar of Companies addressed a seminar attended by insurance regulators and said in his opening remarks that the formation of the property catastrophe reinsurance in 1992 and 1993 brought real credibility to Bermuda's insurance market-place. 11/ On 26 January 1995, the Registrar said that according to the estimated total of 1,357 reinsurance companies, which were mostly captive, an increase of 42 over the previous year had been registered in the Territory. He also referred to the new Government's initiative to review the insurance regulations and to provide global capacity to many corporate insurance buyers. In the 12 months ending in December 1994, a total of 95 new companies were registered and 53 withdrew from the register. In 1994 statistics showed that 22 per cent of new insurance and reinsurance companies came from Africa, the Middle East, Mexico, the West Indies and Latin America, compared with 8 per cent from those countries in 1993. The bulk of the companies continued to be predominantly domiciled in the United States. 12/

21. The Insurance Amendment Act 1995 was signed into law by the Governor of Bermuda on 3 April. 13/ This amendment to the Insurance Act of 1978 establishes four classes for insurers, depending on the areas of activity, and is aimed at improving the Territory's stature as an offshore insurance centre. All insurers will be required to file financial statements as part of an annual return. Some of the largest insurers will have to include in those returns a specific number of details regarding their activities. Under the new law, the principal representative of an insurer must be approved by the Minister of Finance. Although there was agreement between the Government and the opposition party that the legislation was timely and well prepared, some parliamentarians questioned whether the Registrar's office had sufficient manpower to monitor the increased demands that the legislation introduced and whether the need for actuarial reports would increase the cost of operations unnecessarily. 14/

D. Transport and communications

22. The Ministry of Transport announced 15/ that the Government had entered into a B$ 586,000 contract with a company that would supply meteorological equipment to replace the one currently operated by the United States Navy. Under the contract, the new facility would enhance aviation, marine and public weather forecasting and form the basis for a comprehensive national weather service. The Government was also planning to spend another B$ 562,000 to convert the airport from a military to a civilian operation manned by Bermudians. In this context, five candidates were selected to undergo air-traffic-controller training in the United Kingdom. Similar attempts are being made to encourage Bermudians to train as meteorologists and to carry out ground electronics services. The Minister of Management and Technology said that his Ministry would continue to monitor and ensure that there were other job opportunities for Bermudians in this field so that Bermuda would be ready to assume full responsibility for the airport by 1 June 1995.

23. The Ministry of Transport announced that a newly established Air Transport Department would have a budget of B$ 18.4 million in 1995/96, an increase of 300 per cent over the previous fiscal exercise. The total budget estimates of the Ministry for 1995/96 were B$ 37 million compared with B$ 20.8 million the previous year. Other major allocations are as follows: Marine and Port Services, B$ 8.7 million; Transport Control Department, B$ 1.6 million; Public Transport Department, B$ 6 million; Transport Headquarters, B$ 300,000; and civil aviation, B$ 1.7 million. Total revenue of the Ministry is estimated at B$ 28.4 million compared with B$ 22.7 million in 1994/95. 16/

E. Tourism

24. In October 1994, the Department of Tourism made public the conclusions of a report on the state of the industry during 1993 which revealed that tourist expenditure had increased by 15 per cent over 1992. The report stated that despite the efforts of the Department of Tourism, Bermuda was still viewed as a seasonal destination with most of the visitors arriving from April to October, inclusive, and the peak numbers from May to August. The number of winter visitors continued to decline despite a two-year campaign designed to attract

more tourists during this season and to make Bermuda an all-year destination by putting the emphasis on the convention business. The report also stated that the tourist industry employed more Bermudians than any other sector of the economy, 10,088, or 30 per cent of all jobs in the Territory. 17/

25. Visitors spent a total of B$ 509 million in 1993, creating B$ 164 million in public service revenue and B$ 621 million in wages, salaries, profits, rents and interest. Of that expenditure, B$ 468 million was spent by air visitors and B$ 41 million by cruise ship passengers. The report also indicated that the Department of Tourism forecast that a further 4 to 5 per cent increase, expected in 1994, was realistic, although world events outside the control of Bermuda could drastically affect the outcome. The Ministry of Tourism estimates for 1995/96 expenditure amounted to B$ 29.4 million, compared with B$ 29.2 million the previous year, allocated as follows: administration, B$ 1 million; marketing, B$ 16.5 million; sales, B$ 8.7 million; activities, B$ 2.6 million; and management information, B$ 425,000.

V. SOCIAL CONDITIONS

A. General

26. According to reports, in 1993 a total of 900 families had received some form of assistance from the Government, which spent B$ 16 million for the same purpose in 1994. 18/ The Government demonstrated its concern about the rising need for assistance by creating the Department of Financial Assistance within the Ministry of Social Services. The Government is also undertaking extensive retraining programmes aimed at giving new skills to those Bermudians who were adversely affected by the downturn in the construction and hotel business as well as other areas that have traditionally employed large numbers of Bermudians. The training scheme, which is involving the Apprenticeship and Training Council and the Bermuda College, will be linked with a job reallocation programme in which jobs held by foreigners could be given to qualified Bermudians.

B. Race relations

27. The Human Rights Amendment Act, 10/ intended to redress racial imbalances in the workplace, was adopted by the House of Assembly on 18 December 1994. Among other measures taken by the Government to combat racism were the preparation of a White Paper on the elimination of racism and the plan to set up the Commission for Unity and Racial Equality. In this connection, a survey reported in the Bermuda Sun in December 1994 19/ confirmed previous findings of a wage gap between Blacks and Whites and men and women and noted that the wage gap between Black and White men had become wider. In 1993, households headed by Black men earned an average of B$ 56,467, or 58 per cent of an average of B$ 97,636 earned by households headed by White men. Even when non-Bermudian households are not taken into consideration, the gap remains substantial and significantly larger than in 1982, when households headed by Black men earned 70 per cent of the income of those headed by White men.

C. Health and social services

28. There have been no major developments to report under this section for the period under review. Basic information on health and social services in the Territory is contained in the 1994 working paper on Bermuda prepared by the Secretariat (see A/AC.109/1189, paras. 85-87).

VI. EDUCATIONAL CONDITIONS

29. The Government of Bermuda continues the process of restructuring the entire education system in accordance with a five-year plan and to implement measures aimed at correcting inequality between schools while rendering the facilities more efficient in providing a wide range of programmes to satisfy the increasing range of needs. 20/ The Government policy tends also to remedy the complaints by the business sector that the school system is not producing graduates who meet the Territory's needs, especially skilled, well-educated employees who can readily use new technology. A new Education Act was being drafted with a view to upgrading both the quality of teaching and administration as well as improving physical facilities.

30. In his Speech from the Throne on 4 November 1994, the Governor declared that the Government had prepared a clear programme for the future development of the Territory's educational system to upgrade both the quality of teaching and administration as well as to improve physical facilities. He noted the high quality of students graduating in recent years as evidence of the performance of the Bermuda College. The Governor also said that further resources would be put into education with special attention to technical and vocational training. A system-wide code of discipline is being reviewed by principals, teachers and parents during 1995.

VII. FUTURE POLITICAL STATUS

31. On 26 October 1994, a delegation comprised of five cabinet members of the Government of Bermuda visited London to discuss the question of the future status of the Territory. 21/ The delegation also met with the High Commissioner of the Bahamas to the United Kingdom to obtain information on how the Government of the Bahamas had assumed its international responsibilities, particularly the cost of maintaining representations in various countries and with international organizations. The delegation was entrusted with the preparation of a discussion paper on independence, called the Green Paper, to look at all facets of the question of independence, as well as to examine possible constitutional changes for Bermuda if it decided to remain a dependent Territory.

32. The delegation visited the Foreign and Commonwealth Office 22/ and had discussions with several officials, including a former Deputy Governor who heads the Dependent Territories Section, the Parliamentary Under Secretary of State for Foreign and Commonwealth Affairs, as well as the Secretary of State for Foreign and Commonwealth Affairs. According to the head of the delegation, discussions centred on "what the British Government would consider appropriate for a referendum, what the conditions of a referendum would be, what might

happen if Bermuda decided to opt for constitutional change, and what would happen if they decided not to opt for constitutional change". 22/

33. The head of the delegation concluded after the visit to London that it appeared that the position of the administering Power had not changed since first stated in 1988, when the British Parliamentary Under Secretary of State had said that the United Kingdom would neither encourage nor discourage independence but would accept it if it was shown to be the "clear wish and will" of the Government and the citizens of Bermuda. The Under Secretary had also added that Bermuda could become independent or remain a dependent Territory, but there was no possibility of other constitutional arrangements. 23/

34. On 10 February 1995, the Independence Referendum Act 1995 was tabled in the House of Assembly by the Deputy Premier. 24/ In 1994 a similar bill had become ineffective following its amendment in the Senate.

35. In March, the Deputy Premier, who chaired the committee in charge of preparing the Green Paper, said that the document was intended to guide and educate the people towards a well-informed choice with regard to the question of the future status of Bermuda. 25/ The document estimated the annual costs of independence at between B$ 800,000 and B$ 2.3 million and predicted that although there would be some additional cost to the taxpayer, it should not cause a diminution of confidence in the ability of Bermuda to join the international community. The Green Paper also indicated, inter alia, that the status quo offers the reassurance of constitutional continuity to Bermudians and foreign residents alike. Independence would give Bermudians full responsibility for both internal and external affairs. It would also offer the prospect of new opportunities developed by Bermudians for Bermudians.

36. In an interview in March 1995 with a British magazine, 8/ the Premier of Bermuda said that many people in the Territory felt alienated and that the feeling "springs from the fact that someone else always seemed to be in charge of your destiny". He also indicated that he thought that the majority of people in Bermuda wanted to have a say on whether to continue under British dominance. Later in March, 14/ in a debate in the House on the issue of independence, the Premier also rejected several arguments against independence and said that every allegation about it could be challenged. He added, however, that choosing independence did not necessarily mean breaking all ties with Britain, and pointed out that the Privy Council, for example, as an important part of the Commonwealth, should be maintained. He also spoke in favour of encouraging a friendly environment for the international business sector, which would continue to flourish after independence in a climate of stability and security.

37. On 23 March 1995, an internal agreement was reached within the governing party, the United Bermuda Party (UBP), under which a simple plurality would decide the issue of independence. 15/

38. The opposition leader and head of the Progressive Labour Party (PLP) urged his supporters to boycott the referendum. He advocated another form of consultative exercise whereby general elections would be held during which the issue could be decided. According to the leader of PLP, independence should be the final step in Bermuda's road to democracy with the people given the

opportunity to examine the nature and quality of independence. PLP won 46 per cent of the votes in the 1993 general election, and since the referendum voting formula calls for 40 per cent of all eligible voters to vote "yes" to give the Government a mandate for independence, a successful boycott of the referendum could have serious effects on the results.

39. On 24 March 1995, 26/ the House adopted the Independence Referendum Act by a vote of 20 to 18, over strong objection by the opposition Progressive Labour Party but with full support from the United Bermuda Party. On 5 April, following a lengthy debate, the bill was approved by the Senate without a negative vote from the three Senators of PLP, which in the past had stated that although it supported independence, it opposed the referendum. The new voting formula requires that at least 40 per cent of those on the electoral roll must vote for or against independence in order for the winning option to constitute a mandate. 27/ This means that a strong turnout would be needed. A simple majority would then decide on the future of the Territory and make the referendum binding. The referendum is scheduled to take place in July 1995. An opinion poll taken in early April showed that 26 per cent of voters were in favour of independence, with 59 per cent against. 25/

40. On 6 April 1995, the Government announced that the target of July for the holding of the referendum might not be possible. 27/ Under the terms of the law, however, the referendum must be held before the end of the year, 30 to 60 days after official publication of the Referendum Act by the Premier. The Referendum Act must also receive royal assent from the Governor.

Consideration by the General Assembly

41. In a statement before the Special Political and Decolonization Committee (Fourth Committee) of the General Assembly on 12 October 1994, 28/ the representative of the United Kingdom stated his Government's position towards its dependent Territories (see also A/AC.109/1189, paras. 21-27; and A/AC.109/2013, para. 62).

42. On 9 December 1994, the General Assembly adopted resolution 49/46 B, a consolidated resolution on nine Non-Self-Governing Territories, section III of which was specifically devoted to Bermuda.

Notes

1/ The information contained in this paper has been derived from published reports.

2/ Bermuda Digest of Statistics, 1992.

3/ The Royal Gazette (Hamilton), 5 November 1994.

4/ Ibid., 11 August 1994.

5/ Ibid., 15 December 1994.

6/ One Bermuda dollar (B$ 1.00) is equivalent to one United States dollar (US$ 1.00).

7/ The Royal Gazette (Hamilton), 24 December 1994.

8/ 1995 Oxford Analytica Ltd., 12 April 1995.

9/ The Royal Gazette (Hamilton), 16 February 1995.

10/ Ibid., 19 December 1994.

11/ Ibid., 5 October 1994.

12/ Ibid., 27 January 1995.

13/ Caribbean Update, May 1995.

14/ The Royal Gazette (Hamilton), 23 March 1995.

15/ Ibid., 25 March 1995.

16/ Ibid., 6 March 1995.

17/ Ibid., 21 October 1994.

18/ Ibid., 28 December 1994.

19/ Bermuda Sun, 30 December 1994.

20/ The Royal Gazette (Hamilton), 19 August 1994.

21/ Ibid., 26 October 1994.

22/ Ibid., 28 October 1994.

23/ Ibid., 1 November 1994.

24/ Ibid., 11 February 1995.

25/ Ibid., 17 March 1995.

26/ The Royal Gazette (Hamilton), 24 March 1995.

27/ Ibid., 6 April 1995.

28/ A/C.4/49/SR.5, para. 28.